

## SUBMISSION COVER SHEET

**IMPORTANT:** Check box if Confidential Treatment is requested ☐

**Registered Entity Identifier Code (optional):** 15-538

**Organization:** Chicago Mercantile Exchange Inc. ("CME")

**Filing as a:** ☒ DCM ☐ SEF ☐ DCO ☐ SDR

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 12/03/15 **Filing Description:** Non-Material Agricultural Rule Change -- Amendments to CME Live Cattle Futures Contract Rule 10101 and Interpretations and Special Notices Relating to Chapter 101.

### SPECIFY FILING TYPE

**Please note only ONE choice allowed per Submission.**

#### Organization Rules and Rule Amendments

- |                          |                                     |            |
|--------------------------|-------------------------------------|------------|
| <input type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/> | Approval                            | § 40.5(a)  |
| <input type="checkbox"/> | Notification                        | § 40.6(d)  |
| <input type="checkbox"/> | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/> | SIDCO Emergency Rule Change         | § 40.10(h) |

#### Rule Numbers:

#### New Product

**Please note only ONE product per Submission.**

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

#### Product Terms and Conditions (product related Rules and Rule Amendments)

- |                                     |   |                      |
|-------------------------------------|---|----------------------|
| <input type="checkbox"/>            | Certification   | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/>            | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/>            | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/>            | Approval  | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/>            | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/>            | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input checked="" type="checkbox"/> | "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/>            | Notification  | § 40.6(d)            |

**Official Name(s) of Product(s) Affected:** Live Cattle Futures

**Rule Numbers:** CME Rulebook Chapter: 101 ("Live Cattle Futures")

December 3, 2015

**VIA ELECTRONIC PORTAL**

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: CFTC Regulation 40.4(b)(5) Certification. Non-Material Agricultural Rule Change  
Regarding Live Cattle Futures Contract.  
CME Submission No. 15-538**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulations 40.4(b)(5) and 40.6(a), is requesting a determination of non-materiality for amendments to CME Rule 10101 and the "Interpretations and Special Notices Relating to Chapter 101" of the CME Live Cattle Futures contract (CME Rulebook Chapter 101). The changes are applicable to all CME Live Cattle futures contract months beginning with the December 2015 contract, which is currently listed, and all subsequent contract months. The proposed effective date for the amendments is December 18, 2015.

The amendments are intended to provide clarity as to the existing requirements of the Live Cattle Futures contract in light of the possible repeal by the U.S. Congress of the Country of Origin Labeling ("COOL") law for beef and pork and repeal of corresponding implementing regulations by the Secretary of Agriculture. Recently, the World Trade Organization ("WTO") has ruled for the fourth time that the COOL law violates trade agreements with Canada and Mexico. Those countries are preparing trade sanctions in retaliation. The U.S. House of Representatives voted to repeal the COOL law and the matter is now before the U.S. Senate.

The timing of legislation and final USDA rule has not been determined, but we believe it important to provide certainty to the marketplace as to existent requirements and, at a minimum, avoid any unnecessary disruption or adverse impact to existing open interest holders. The purpose of these rule changes is to maintain the status quo in an uncertain policy environment.

The Interpretation was adopted by CME in 2003 when the federal COOL law was first adopted, and became effective in 2008 when the federal COOL regulations were enacted. The decision to prohibit the delivery of non-US cattle in satisfaction of CME Live Cattle futures delivery obligations once the COOL law was in effect was based on the fact that non-U.S. cattle require special handling and extra costs by packers in order to segregate the animals for purposes of properly labeling the origin of the meat, which leads to a price discount for non-U.S. cattle. Under current delivery requirements, an affidavit from the seller of any cattle in satisfaction of a delivery obligation resulting from a CME Live Cattle futures contract must be provided to CME at the time of tender.

The proposed amendments are "non-material" under the criteria set forth in the Commission regulations.

We believe that the proposed amendments are “non-material” pursuant to the Division of Market Oversight’s criteria for determining materiality in its exercise of delegated authority under CFTC Regulation 40.7(a)(5).

The Live Cattle futures contract has required US-origin only live animal or carcass delivery since 2008 when the reference to Country of Origin labeling was incorporated into the contract language. The subject amendments merely serve to clarify that US-origin cattle would continue to be a requirement for contract months with open interest regardless of Congressional action, and, as such, would not affect a reasonable trader’s decision to enter into an existing position.

In addition, given the level of uncertainty in the market as to whether the COOL laws will be repealed and, if so, the timing and implementation of any repeal of related regulations, we believe that the change should not have affected a reasonable trader’s decision to enter into an existing position nor would affect a reasonable trader’s decision to make or take delivery on the contract or to exercise an option on the contract. Moreover, the change will not have an effect on the value of existing positions (e.g., no effect on contract pricing, cost of effecting delivery, etc.).

Because the amendments maintain the status quo, they should have no predictable or perceptible effect on the value of existing positions or traders’ willingness to make or take delivery, and should have no adverse effect on the Exchange’s ability to meet its requirements under the Core Principles. In fact, the subject amendments will provide certainty to market participants in a dynamic policy environment. As a result, the changes are not inconsistent with Core Principles 3 (Contracts not readily subject to manipulation) or 5 (Position limits or accountability) or the acceptable practices thereunder and, in particular, they will not make the contract more susceptible to manipulation by having a significant adverse effect on deliverable supplies.

Moreover, the changes would not create an unjustified burden on competition under Core Principle 19 (Antitrust Considerations) for Designated Contract Markets. Prior to the listing of the June 2017 contract the Exchange will evaluate policy changes regarding country of origin labeling and conduct outreach with the industry about whether to maintain US-origin only delivery and appropriate certifications in order to ensure that the contract specifications do not create an unjustified burden on competition.

For the reasons noted above, the amendments are not material.

The changes are applicable to all CME Live Cattle futures contract months beginning with the December 2015 contract, which is currently listed, and all subsequent contract months. The contract is currently listed through the April 2017 contract month. The changes are designed to maintain the status quo in an unpredictable policy environment and provide certainty to market participants about the contract’s terms and conditions.

Pursuant to Section 5c(c) of the Act and CFTC Regulations 40.4(b)(5) and 40.6(a), the Exchange hereby certifies that the amendments to the Live Cattle Futures contract comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange’s website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2200 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Appendix 1 – Amendments to CME Rulebook Chapter 101 (blackline format)

## **Appendix 1**

### **CME Rulebook**

(Additions are **bold underlined**; deletions are ~~struck through~~.)

#### **Chapter 101**

##### **Live Cattle Futures**

###### **10100. SCOPE OF CHAPTER**

This chapter is limited in application to Live Cattle futures. In addition to this chapter, Live Cattle futures shall be subject to the general rules and regulations of the Exchange insofar as applicable.

For purposes of this chapter, unless otherwise specified, times referred to herein shall refer to and indicate Chicago time.

###### **10101. CONTRACT SPECIFICATIONS**

Each futures contract shall be for 55% Choice, 45% Select, Yield Grade 3 live steers or live heifers, as defined by the United States Department of Agriculture (USDA) "Official United States Standards for Grades of Slaughter Cattle", or producing 55% Choice, 45% Select, Yield Grade 3 steer or heifer carcasses, as defined by "Official United States Standards for Grades of Carcass Beef". **All cattle must be born and raised exclusively in the United States and delivering sellers must sign an Exchange affidavit attesting that the cattle were born and raised in the United States. The affidavit is to be considered part of the Certificate of Delivery and must accompany the Certificate at all times.**

[Rules 10102 – 10105 are unchanged.]

###### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 101**

In response to the regulations issued on January 12, 2004 by the United States Department of Agriculture, Food Safety and Inspection Service ("USDA-FSIS"), in Docket No. 03-0251F, and supplemented in USDA FSIS Notice 05-04, issued on January 12, 2004, any and all cattle aged 30 months or more are not deliverable for either live or carcass delivery pursuant to Rules 10103.B. and 10103.C.

###### **All rules in this chapter shall be read to include the following:**

~~IF THE SECRETARY OF AGRICULTURE HAS ISSUED REGULATIONS, IN ACCORDANCE WITH 7 USC 1638C, REQUIRING COUNTRY OF ORIGIN LABELING FOR BEEF AND THOSE REGULATIONS ARE, OR ARE SCHEDULED TO BECOME, EFFECTIVE AT ANY TIME DURING THE DELIVERY PERIOD, ALL CATTLE IN THE DELIVERY UNIT MUST BE BORN AND RAISED EXCLUSIVELY IN THE UNITED STATES. THE SELLER MUST TENDER DOCUMENTATION THAT CONFORMS TO INDUSTRY STANDARDS AT THE TIME OF DELIVERY VERIFYING COUNTRY OF ORIGIN INFORMATION REQUIRED BY THE REGULATION.~~